

STATEMENT OF

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OVERSIGHT

COMMITTEE ON HOMELAND SECURITY

UNITED STATES HOUSE OF REPRESENTATIVES

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Mr. Chairman, Mr. Meek and Members of the Subcommittee:

Thank you for this opportunity to discuss our office's recent audit of task orders issued by GSA's Federal Technology Service (FTS) Client Support Centers (CSCs). Our reviews included the procurement of services and equipment for the Border Patrol's Remote Video Surveillance (RVS) program, part of the Department of Homeland Security's overall Integrated Surveillance and Intelligence System.

Audits of GSA Contracting Practices

Over the past several years, we have performed a number of audits of FTS contracting practices at its Client Support Centers across the nation. The FTS Centers assist Federal agencies in identifying technology solutions and acquiring, deploying, managing and using them. FTS revenue from client agencies for these services has significantly increased over the last several years and reached \$5.4 billion in FY 2004.

In a series of audit reports beginning in early 2003, we identified numerous improper task order and contract awards, including improper sole-source awards, work outside the contract scope, lack of support for fair and reasonable pricing, improper task order modifications, frequent inappropriate use of time-and-materials task orders, misuse of small business contracts, and failure to enforce contract provisions. Overall, we found that FTS failed to adequately ensure that contracting laws and regulations were followed.

Review of Homeland Security Task Orders

Our 2004 audit¹ was part of a nationwide review requested by the GSA Administrator in response to our earlier findings. In this review we sampled over 300 task orders awarded by FTS, including 13 that related to the RVS project.² The task orders included: (1) installation of surveillance cameras to be mounted on poles and other structures; (2) construction of towers for microwave transmission equipment; (3) installation of monitoring equipment in Border Patrol facilities located along the U.S.-Canada and U.S.-Mexico borders; and (4) provision of a maintenance and repair facility. The total value of the 13 orders included in the audit sample was \$43.4 million.

Our review concluded that there were a number of significant deficiencies in the RVS procurement, as well as a lack of adequate progress in actually implementing the RVS security improvements, and chronic inattention on the part of both GSA and the Border Patrol to the administration of the contract and management of the project. Despite the critical nature of these security improvements and nearly \$20 million already paid to the contractor for the eight RVS installations in our sample, as of the end of our field work in Summer 2004, none of the eight

¹ "Compendium of Audits of the Federal Technology Service Regional Client Support Centers," dated December 14, 2004.

² As our work was a review of GSA's procurement practices, we did not review the overall efficiency, effectiveness, or management of the RVS program.

sites had fully operational RVS systems. At some of these locations, no equipment had been installed, and at others, problems with the equipment installed to date have rendered the system incomplete and unreliable. Contracting deficiencies occurred in five broad areas: lack of competition for contract award; use of an inappropriate contract vehicle; inadequate contract administration and project management; contractor's providing less expensive equipment; and ineffective management controls.

Lack of Competition in RVS Contract Award

From meetings with CSC officials, we determined that the contract for the RVS project was not conducted with full and open competition as required by federal acquisition regulations. According to FTS records, in the fall of 1998, the Immigration and Naturalization Service (INS), at that time the Border Patrol's parent agency, issued a Request for Proposal for the RVS project. In response, several vendors made oral presentations at INS headquarters in Washington, D.C.

In November 1999, FTS awarded an initial task order to International Microwave Corporation (IMC) for \$2 million, for the purchase and installation of cameras and monitoring equipment at one RVS location. Despite our repeated requests, no documentation was provided evidencing the criteria used to evaluate the vendors' proposals or the analysis that led to the award to IMC.

One year later, in December 2000, FTS awarded a Blanket Purchase Agreement (BPA)³ to IMC and a team of vendors for RVS cameras and monitoring equipment to be installed at dozens of locations across the nation. Although the work under this BPA far exceeded, in dollar amount and extent of work, the initial task order, it was nonetheless awarded to IMC without further competition, contrary to federal acquisition regulations. The BPA increased the contract value to more than \$257 million. This new contract represented an orders of magnitude increase over the initial award, and should have been formally competed to allow interested, qualified vendors the opportunity to provide contract proposals.

In proposing the BPA, the vendor asserted that substantial savings to the Government would result from additional discounts off the FSS Schedule pricelists for the monitoring equipment. However, no such savings occurred. For example, one item we found on schedule, a Hitachi camera, was priced under the BPA at more than double the FSS Schedule price. The BPA called for hundreds of these cameras at a unit cost about \$2700 higher than the FSS schedule price. Moreover, the vast majority of the items to be supplied were not on IMC's or any of the teaming vendors' FSS Schedule pricelists. Other equipment was subsequently purchased from a company partially owned by the prime contractor.

Inappropriate Contract for Construction Services

A considerable portion of the RVS project required construction work, including the use of backhoes, cranes, bulldozers and boring equipment to install foundations, erect poles and towers up to 300 feet in height, and connect to utilities. Skilled craftsmen such as electricians,

³ A BPA (blanket purchase agreement) is a vehicle which provides a simplified method of filling agencies' anticipated repetitive needs for supplies or services. BPAs are typically established under existing multiple award schedule (MAS) contracts, but can also be freestanding arrangements. This BPA was a teaming arrangement involving six FSS MAS contractors whose products and services would be used to provide the RVS' components.

carpenters, steeplejacks, and heavy equipment operators were employed to build and install the components of the system. Engineering firms were needed to design the installation and define the specific requirements for each location. IMC's FSS schedule contract, and those of its team members, did not include the services necessary to perform such work.

The FSS Schedule contract with IMC was a commodities contract for furnishing radios and microwave transmission equipment, not construction work. It contained none of the requisite references to construction laws and regulations that protect employee wages, workplace safety, the environment, the integrity of the procurement process, or ensure timely delivery and quality of workmanship. Congress has determined, with the passage of numerous such laws, that there are inherent risks to the Government and special requirements associated with construction work. For example, the Davis-Bacon Act requires prevailing wage determinations; these requirements were not incorporated into the task orders, resulting in a potential unfunded liability to the Government. Furthermore, Government personnel procuring construction services require specialized training and experience. FTS personnel lack that training and expertise. In the case of the RVS program, FTS undertook projects it had neither the authority nor skills to properly procure and manage.

Inadequate Contract Administration and Project Management

Due to inadequate contract administration and project management on the part of FTS and the Border Patrol, as of the end of our field work in Summer 2004, none of the eight locations we reviewed had fully installed and operational RVS systems, despite almost \$20 million in payments to IMC. FTS's lack of oversight of its task orders resulted in several questionable practices involving customers and contractors, including payment made for shoddy work, work that was incomplete or never delivered to the Government, and unexplained increases in billing rates. Neither the BPA nor the individual task orders included detailed specifications, thus often leaving interpretation of the Border Patrol's needs up to the contractor.

Our site visit to one location in Washington State revealed serious problems with the quality of the installation of equipment. Cameras and other pieces of equipment were not functioning and had numerous reliability problems resulting in significant down-time and the need for frequent repairs. Border Patrol officials performed a technical inspection of the work and identified numerous problems. Remediation efforts were underway by the contractor at the time we made our visit.

At three other locations (Tucson Station, Arizona, Carrizo Springs, Texas, and Detroit, Michigan), although task orders had been issued one to two years earlier, no equipment had been delivered and no work was underway at the time we contacted Border Patrol officials. At three additional locations (Buffalo, New York, Nogales, Arizona, and Laredo, Texas), some equipment had been installed but the components were not operational. In Buffalo, only four of 59 cameras had been installed. At Nogales and Laredo, some work had been done, but system components were still not operational as other equipment, such as microwave towers, had yet to be installed. On our visit to Naco, Arizona, some equipment had been delivered, but there was no evidence of installation. We found parts in storage and laying on the desert floor adjacent to Border Patrol property. According to Border Patrol officials, no contractor personnel had been on-site since the equipment was delivered to Naco about a year prior to our visit.

Border Patrol officials at the Arizona locations raised concerns about workmanship and adherence to national electrical codes and, in particular, protection against lightning strikes. The Border Patrol's local electronic technicians had been left largely in the dark as to the equipment to be furnished or the design of the system to be provided; no one provided them with design drawings or specifications for the equipment.

The table below summarizes the status of RVS improvements at each of the eight sites we reviewed:

State Location	Value	Date Issued	Status	Amount Paid to the Contractor
Carrizo Springs, TX	\$ 4,742,500	12/09/02	Not Installed	\$ 2,190,169
Nogales, Arizona	\$ 3,048,500	11/15/01	Partially Installed	1,758,980
Laredo, Texas	\$ 4,156,175	10/25/02	Partially Installed	4,114,933
Naco, Arizona	\$ 3,536,550	06/29/01	Not Installed; some equipment delivered	2,850,649
Tucson Station, Arizona	\$ 2,345,000	05/21/02	Not Installed	623,974
Detroit, Michigan	\$ 3,343,500	05/13/03	Not Installed	362,880
Buffalo, New York	\$ 5,287,500	01/31/03	Partially Installed	1,347,713
Blaine, Washington	\$ 6,695,182	11/24/99	Operational Problems	6,624,367
Totals:	\$33,154,907			\$19,873,665

Delays were often attributable to the acquisition of the land where the camera monopoles or transmission towers were to be installed. The task orders required the contractor, at a cost to the Government of about \$280,000, to provide assistance to the Government in acquiring the sites, but did not define what specific work was required. Border Patrol officials told us that little assistance in acquiring the property had been provided by the contractor. Instead, Border Patrol officers themselves were charged with identifying property owners and negotiating leases or access rights.

It made little sense for FTS to issue task orders for procurement and installation of the RVS system before sites had been acquired. Yet that is what occurred. The contractor ordered equipment and billed the Government for equipment that languished in warehouses.

Delays in installation and operation of the RVS components were also exacerbated by FTS officials extending, without adequate justification, the period of contract performance for the task orders. Of the 13 task orders sampled, there were 18 contract modifications to extend the period of performance, none of which included proper justification for the extension.

Further, due to lack of contract oversight, some Management, Administration, and Engineering task orders inappropriately specified higher billing rates than required. In one order for \$3.1 million for labor costs and program management support, FTS incorporated higher labor rates from another IMC contract into the task order with a sole source justification, costing the Government an additional \$600,000. A task order for \$1.8 million of additional funding for

program management support similarly incorporated the higher labor billing rate, resulting in an estimated additional cost to the Government of \$219,000. These task orders were performed on a time-and-materials basis, yet the invoices submitted to the FTS, and which FTS paid, did not include the required support for hours worked and hourly billing rates.

Providing Less Expensive Equipment Without Contracting Officer Approval

In numerous instances, the contractor did not provide the thermal imaging camera equipment that its pricing worksheets identified as a component of the contract line items provided for in the BPA. Instead, the contractor provided less expensive cameras having less capability. According to the contract files, there was no corresponding reduction price to the Government, and approval for the changes was not obtained from the FTS contracting officer.⁴ This created a potential for overpayments of at least \$6.5 million for thermal imaging cameras when medium-range cameras were provided instead of the more expensive long-range ones.

Bills of material reviewed during our audit, used by the contractor to price the Border Patrol project, provided for FLIR brand thermal imaging cameras with doubler lenses at a cost of \$48,500. The doubler lens, valued at \$10,000, expanded the camera's range of vision. The Border Patrol purchased several hundred of these cameras, but few actually included the doubler lens. As of the end of our field work, the Border Patrol's master inventory data showed 396 FLIR brand thermal imaging cameras, but only 78 were delivered with the doubler lens, resulting in a potential overcharge to the Government of approximately \$3,180,000 (318 x \$10,000).

The contractor provided two types of other cameras that also did not come with doubler lenses, and were uncooled, medium-range cameras, as opposed to the cooled, long-range cameras that were built into the contract price. The master inventory data showed 328 ISAP brand cameras. This camera was priced on the FSS multiple award schedule at \$38,500, resulting in a potential overcharge to the Government of at least \$3.28 million ($\$48,500 - \$38,500 = \$10,000$; $328 \times \$10,000 = \$3,280,000$). The Border Patrol inventory also showed 70 BAE brand cameras, another less expensive thermal imaging camera, priced at \$23,080, resulting in a potential overcharge of \$1,779,400 ($\$48,500 - \$23,080 = \$25,420$; $70 \times \$25,420 = \$1,779,400$).

Contractor officials⁵ told us that thermal imaging cameras with doubler lenses were not required for every installation, and that the contract gave the Border Patrol the flexibility to decide which type of camera it needed. However, we learned from the contractor that each BPA contract line item that included a thermal camera installation was priced to include the more expensive camera with doubler lens. No adjustment to the BPA price to reflect the less expensive equipment was offered by the contractor or requested by FTS.

Ineffective Management Controls.

Overall, for the RVS task orders we reviewed, we determined that FTS did not have adequate internal controls to ensure that the procurements were made and executed in accordance with applicable regulations. Contracting officers often did not get involved in the development of

⁴ There is some evidence that the contractor may have informed headquarters Border Patrol personnel of the planned substitution of cameras. However, GSA contracting officials were not so informed.

⁵ L-3 Communications acquired IMC in February 2003, and became the contractor of record on the project.

requirements or decisions on procurement methodology until the Border Patrol had already made those crucial decisions. Consequently, orders were signed that often were flawed from the beginning.

FTS contracting officials did not adhere to federal acquisition regulations governing purchases under the multiple award schedule and as a result failed to obtain adequate competition and ensure fair and reasonable pricing for the Government. Time-and-materials task orders were issued to contractors with no review of labor hours to ascertain the level of effort necessary to accomplish the work, and there was no evaluation of the proposed mix of labor skills to determine if the contractor's proposal met the needs of the Government.

In many instances, FTS approved payment for services and installations never inspected. FTS failed to visit the sites or adequately verify whether or not services invoiced were actually rendered, and whether work had actually been completed. In some cases, FTS paid for products that were not installed, or were still sitting in the contractors' or manufacturers' warehouses.

In summary, from our review of the task orders for the RVS installations, it is clear that neither FTS nor the Border Patrol adequately fulfilled its responsibilities in administering the contract and managing the project. Proper adherence to government contracting competition requirements was lacking. Task orders awarded to contractors failed to adequately define the actual work to be performed. Improper contracting vehicles were used to accomplish client agency objectives. Border Patrol officials failed to bring contractor deficiencies to FTS' attention, and FTS itself performed no inspections. Nevertheless, the contractor continued to receive payment for incomplete work. RVS systems remained to be fully installed long after the specified contract performance period, and installed equipment did not operate properly.

Lessons Learned

The RVS program reflected many of the problems that can arise when attempting to execute major projects without the benefit of sound acquisition planning and effective project management and oversight. There are a few fundamentals of good contracting that, if properly adhered to, would have greatly increased the chances for overall project success.

First, the client agency is in the most knowledgeable position to develop the requirements for its own programs. It knows best what the agency's program objectives should be. It also should recognize what its in-house capabilities are and be able to determine if outside assistance is required to better define its contract requirements. GSA's role should be to ensure that the client's requirements are described in sufficient detail to allow potential vendors to prepare proposals and to foster competition in response to the Government's stated needs.

Second, sufficient time must be set aside to allow for proper acquisition planning. GSA and the client agency need to collaborate at the earliest possible time to identify the most appropriate and efficient procurement vehicle and to ensure there is proper competition. The procurement vehicle selected should provide the full scope of services and commodities that have been

identified as necessary to accomplish the project. Attempting to “shoehorn” a broad and complex project into a narrowly defined contract vehicle is a recipe for problems further down the road; it may also unfairly preclude awards to vendors who may be better qualified to accomplish the work. Proper competition of a project among several vendors or teams of vendors will generally produce a wider range of potential solutions, and often generates questions from the vendors about the project that may identify problems not addressed in the original plan. It affords the greatest assurance of obtaining the best value for the government.

Third, the evaluation of proposals received from contractors is the responsibility of GSA as the contracting agency. Experts in the client agency’s program, however, should participate as members of evaluation panels or technical advisors. Evaluations of proposals should be performed in accordance with the factors established by the Government during the acquisition planning process and conducted with integrity and independence and in accordance with established regulations and practices.

Finally, the contracting officer should establish a formal plan identifying the roles and responsibilities of GSA and the client agency in ensuring that the contract terms and conditions relating to quality, quantity and timeliness are met. The Government representatives charged with these responsibilities must collectively possess the knowledge, training and experience to handle the job. The responsibilities and authorities of the team members should be defined in writing by the contracting officer and/or the project manager. Just as musicians need a conductor to make them into an orchestra, a project needs a single overall director to make sure that all the parts come together in a planned sequence. Communication among team members at all levels and effective oversight by the agencies involved is crucial to ensuring that the often unforeseen complications and disruptions that can affect any large project can be addressed before they become serious problems.

We firmly believe that had the RVS program followed these basic precepts of proper government contracting, the mission of the client agency and the interests of the taxpayer would have been far better served.

Before closing, I think it is important to let the Committee know that GSA and FTS have made a number of improvements since our initial audits. In July 2004, the Administrator, in conjunction with DoD, launched the “Get it Right” program to help ensure proper contracting practices. The initiative has led to the implementation of better controls across FTS nationwide, as well as individual Client Support Center management improvement plans. It has resulted in greatly increased attention to ensuring adequate competition, determining best value, and utilizing and properly administering the appropriate contract vehicles. These efforts have been fully supported by GSA’s management team. We believe the agency is making genuine progress in addressing the serious contracting deficiencies found in our reviews.

In conclusion, the RVS effort was in many respects a major project gone awry. A principal reason was the failure to follow basics: to adhere to proper procurement rules and practices; to ensure there was adequate planning, selection of an appropriate contracting approach, and open competition; to ensure on-going communication between GSA and the client agency, and between headquarters and on-site users; and to ensure there was attentive contract administration

and effective oversight of contractor performance. All of these are simply basic elements of good procurement practices. Our review of FTS contracting, and the experience with the Border Patrol's RVS program, demonstrates just how important such basics are to protecting the public interest and to the proper stewardship of taxpayer funds.

Mr. Chairman, that concludes my formal statement. I would be happy to answer any questions you or members of the Subcommittee may have.